

December 17, 2003

The Honorable Shirley Johnson, Chair
Senate Appropriations Subcommittee
on Transportation
P. O. Box 30036
Lansing, Michigan 48909-7536

The Honorable Scott Shackleton, Chair
House Appropriations Subcommittee
on Transportation
P.O. Box 30014
Lansing, Michigan 48909-7514

Dear Senator Johnson and Representative Shackleton:

RE: Rail Infrastructure Loan Program - Report for Fiscal Year 2003

This report on the rail infrastructure loan program is required by Section 15a (4) of Public Act 747 of 2002 which amends 1976 Public Act 295, by adding Section 15a.

The fund balance at the beginning of FY 2003 was \$7,025,806.87. Revenues received total \$511,188.66.¹ Expenditures incurred in FY 2003 total \$1,759,516.82, which is the amount reimbursed to loan recipients for rail freight infrastructure improvements during the subject fiscal year. The fund balance at the end of FY 2003 was \$5,777,478.71, which includes loan funds that are under contract but not yet expended.

When the fund balance was adjusted for obligations, the amount available for loans at the beginning of Fiscal Year 2003 was \$3,927,639.22. Revenues received were \$511,188.66 and encumbrances incurred were \$845,014.00.² Therefore, the amount available for loans at the end of FY 2003 was \$3,593,813.88.

¹ Revenue amount includes \$429,060.27 in loan repayments and \$82,128.39 of interest accrued.

² This amount includes all projects that were approved in FY 2003 together with projects previously approved but not executed until FY 2003.

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Projects placed under contract in Fiscal Year 2003, together with information on all projects funded under the loan program since its inception, are listed on the enclosed chart entitled "Status of Rail Infrastructure Loan Agreements".

The rail infrastructure loan program was originally established under Section 710 of Public Act 341 of 1996 to help finance capital improvements on Michigan's freight railroad infrastructure. This program, called the Michigan Rail Loan Assistance Program (MiRLAP), was designed to help preserve and improve rail freight service by making interest free loans to eligible applicants. Money received by the state as repayment for loans made under this program, as well as interest earned and any penalties assessed and received for failure to repay loans on time are credited to the fund to be allocated for the purposes of the program. As such, the fund is structured as a "revolving" loan fund so that loans can continue to be made for rail infrastructure improvements in perpetuity. At this time, all loans are in good standing.

Sincerely,

Gloria J. Jeff
Director

Enclosure

cc: Members of the Senate and House Appropriations
Subcommittees on Transportation
Craig Thiel, Senate Fiscal Agency
Bill Hamilton, House Fiscal Agency
Ronald K. DeCook
Rob Abent

**Status of the Rail Infrastructure Loan Agreements
Fiscal Year 2003**

Company/Project	Contract No.	FY	Status	Total Project Cost	MiRLAP Loan Amount	Amount Disbursed	Amount Paid Back	Loan Balance
Luce County Economic Development Corp – Installation of second switch at west end of existing spur track at Dollarville.	1997-0585	1997	Work completed	\$80,456	\$62,896	\$62,896	\$53,461.60	\$9,434.40
Central Michigan Railway Company – Repair decking on Saginaw River Bridge, repair Flint River Bridge pilings, and refender Bay City Swing Bridge.	1997-0588	1997	Work completed	\$1,117,058	\$1,000,000	\$1,000,000	\$375,000.15	\$624,999.85
Indiana & Ohio Railway – Build a connecting track and interchange storage track at Diann.	1998-0629	1998	Work completed	\$302,384	\$271,776	\$271,776	\$271,776	\$0
Lake State Railway Company – Repair swing span bridge over the Saginaw River.	1998-0632	1998	Work completed	\$532,445	\$450,000	\$450,000	\$191,250	\$258,750
Norfolk Southern Corporation – Install additional track at transload facility at Willis.	1999-0317	1999	Work completed	\$472,005	\$424,804.59	\$424,804.59	\$74,340.77	\$350,463.82
Middleton Investment Group – Track reconstruction from Ashley to Middleton. <i>* An additional \$500,000 was provided from Freight Economic Development funds.</i>	2000-0010	1999	Work completed	\$1,055,555	*\$500,000	\$500,000	\$175,000.28	\$324,999.72
Monitor Sugar Company - Upgrade and repair of existing siding tracks and installation of rail scale at Bay City.	2000-0292	2000	Work completed	\$637,000	\$573,000	\$0	\$0	\$0
Central Michigan Railway Company – Repair bridge piers and update electrical and mechanical systems on the Bay City Swing Bridge.	2000-0291	2000	Work completed	\$651,051	\$607,500	\$607,500	\$75,937.50	\$531,562.50

Status of the Rail Infrastructure Loan Agreements – FY 2003

Company/Project	Contract No.	FY	Status	Total Project Cost	MiRLAP Loan Amount	Amount Disbursed	Amount Paid Back	Loan Balance
Third Coast Distributors (Conrad Yelvington) – Construction of transload facility in Lansing.	2000-0293	2000	Work completed	\$835,000	\$751,500	\$751,500	\$56,362.50	\$695,137.50
The Andersons, Inc. – Construction of transload facility in White Pigeon	2000-0294	2000	Work completed	\$455,788	\$410,602.63	\$410,602.63	\$112,915.56	\$297,687.07
Charlotte Southern Railroad Company – Track rehabilitation on main line and construction of passing siding in Charlotte.	2000-0740	2000	Work completed	\$154,000	\$135,000	\$135,000	\$6,007.50	\$128,992.50
Detroit Connecting Railroad Company – Construction of an engine house in Detroit.	2000-0741	2000	Work completed	\$59,159	\$50,000	\$49,593.54	\$2,479.68	\$47,113.86
Lapeer Industrial Railroad Company – Track rehabilitation on main line in Lapeer.	2000-0742	2000	Work completed	\$45,000	\$40,000	\$40,000	\$2,000	\$38,000
Lake State Railway Company – Repair Thunder Bay railroad bridge East Tawas, Alpena County. <i>*An additional \$980,644 was provided from Freight Economic Development funds - contract 2002-0178 with LaFarge North America.</i>	2001-0938	2001	Work completed	\$1,995,089	\$898,750.25	\$898,750.25	\$0	\$898,750.25
Lapeer Industrial Railroad Company – Construction of passing siding.	2001-0368	2001	Work completed – contract executed 11/13/02.	\$88,800	\$78,800	\$0	\$0	\$0
Depot Enterprises – Construction of transload facility and rail spur in Allegan County. <i>*An additional \$64,250 was provided from Freight Economic Development funds.</i>	2002-0352	2002	Active project	\$773,250	*\$695,925	\$468,246.01	\$19,260.48	\$448,985.53

Status of the Rail Infrastructure Loan Agreements – FY 2003

Company/Project	Contract No.	FY	Status	Total Project Cost	MiRLAP Loan Amount	Amount Disbursed	Amount Paid Back	Loan Balance
Kasle Steel – Construction of industrial spur to facilitate loading/unloading steel coils at Dearborn site.	2002-0554	2002	Work completed	\$746,899	\$633,960	\$633,960	\$15,849	\$618,111
CSX Transportation Inc. – Install automatic switches on west wye track at Waverly railroad subdivision near Holland Michigan.	2002-0328	2002	Work completed	\$747,337	\$672,603	\$0	\$0	\$0
Central Michigan Railway Company – Replacing rails and ties on bridge over Cass river.	2002-0552	2002	Work completed – Contract executed 10/22/02.	\$177,000	\$159,300	\$135,037.62	\$3,375.94	131,661.68
Tuscola & Saginaw Bay Railway Company – Replace existing fueling system with environmentally sound system, rehabilitate fuel track.; replace outdated scale, replace ties on scale track.	2003-0495	2003	Active – Contract executed 9/23/03.	\$371,074	\$333,967	\$0	\$0	\$0
Luce County Economic Development Corporation – Construct 3,709 feet of new track into Luce County’s industrial park. (CN is paying for the rehabilitation of its existing track.) <i>*An additional \$126,000 will be provided from Freight Economic Development funds.</i>	2003-0494	2003	Active – Contract executed 10/1/03.	\$647,000	*\$198,000	\$0	\$0	\$0
Wayne Industries, Inc. – Repair existing track system on the company’s property, includes removal and reconstruction of approximately 194 linear feet of existing track.	2003-0496	2003	Active – Contract executed 10/13/03.	\$83,275	\$74,947	\$0	\$0	\$0

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P.O. Box 30014
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Dear Senator Johnson and Representative Shackleton:

RE: Rail Freight Fund - Report for Fiscal Year 2003

This report on the Rail Freight Fund is required by Section 15a (4) of Public Act 747 of 2002 which amends 1976 Public Act 295, by adding Section 15a. The Department's authority to deposit funds in the Rail Freight Fund and to provide financial assistance for facilities of rail freight and marine freight transportation are specified in Section 17 of this Public Act.

The fund balance at the beginning of FY 2003 was \$477,977.50. Revenues received total \$1,800,012.56. Expenditures were \$10,366.50 and encumbrances incurred total \$120,133.82. The fund balance at the end of FY 2003 was \$2,147,489.74.

The only project funded from the Rail Freight Fund in Fiscal Year 2003 was a freight economic development project with the Luce County Economic Development Corporation (EDC). The contract (2003-0493) provides up to \$126,000.00 for the rail portion of the project costs; and, of this amount \$120,133.82 was encumbered from the Rail Freight Fund. Currently, this is the only active project using loan funds from the Rail Freight Fund.

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There are an additional five (5) projects that received loan funds from the Rail Freight Fund during previous fiscal years. These include: (a) Ogihara America Corporation; (b) International Paper; (c) Poly-Chesterfield; (d) Depot Enterprises; and (e) Victor Fiber & Supply, Inc. (See the attached chart for information on the status of these loans.) All five projects are Freight Economic Development Program projects, which mean they are subject to contractual provisions that allow loan recipients to be forgiven for some or the entire loan provided they meet specified contractual car loading commitments.

Sincerely,

Gloria J. Jeff
Director

Enclosure

cc: Members of the Senate and House Appropriations
Subcommittees on Transportation
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Status of Freight Economic Development Loans Funded from the Rail Freight Fund

Company/Project	Contract No.	FY	Status	Total Project Cost	Loan/Grant Amount	Amount Disbursed	Amount Paid Back
Ogihara America – Construction of rail spur and multi-track switching yard at new facility near Howell.	1998-0365	1998	Work completed Project to be finalized	\$905,000	\$433,065.16	\$433,065.16	\$21,956.52 (met partial carload commitments in 1 st yr.)
Int'l Paper/Champion International Construction of rail spur at facility near Quinnesec.	1998-0430	1998	Work completed	\$456,495	\$228,248	\$228,248	-0- (Fifth year will be completed in December 2003.)
Poly-Chesterfield – Construction of rail spur in the City of Warren.	2001-0406	2001	Work Completed	\$130,000	\$65,000	\$65,000	-0- (1 st year completed in August 2003)
Victor Fiber – track rehab and install concrete slab loading dock in Port Huron.	2002-0125	2002	Work Completed	\$70,000	\$34,728	\$25,408.90	-0- (1 st year completed in July 2003)
Depot Enterprises – Construction of rail spur to serve Vanderlind & Son in the city of Wayland. <i>*An additional \$695,925 provided from Rail Infrastructure Loan program, contract 2002-0352.</i>	2002-0129	2002	Work Completed	\$128,500	*\$64,250	\$64,250	-0- (1 st year completed in September 2003)
Luce County EDC – Construct 3,709 ft of new track to assist with the relocation of a log loading yard. <i> The total loan amount was \$126,000, of which \$120,133.82 was funded from the Rail Freight Fund.</i>	2003-0493	2003	Active project	\$647,000	*\$126,000	-0-	-0-